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SENSITIVE
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BRASILIA FOR JOHN ERATH
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BRASILIA FOR STEPHEN LISTON
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SAO PAULO FOR JAMES STORY
ECON-POL

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [BR](#)

SUBJECT: BLUE LANTERN: DISCUSSIONS WITH EMBASSY,
BRAZILIAN, AND INDUSTRY OFFICIALS SEPTEMBER 22-24

11. (U) SUMMARY: A team of export control experts from the Departments of State and Commerce met 22-24 September 2008 in Brasilia and Sao Paulo with country team, Brazilian government, and industry officials to discuss implementation of the Blue Lantern end-use monitoring program and U.S. export control licensing and policy issues in Brazil. The visit's primary objective was to improve Brazilian understanding of U.S. export controls and to troubleshoot some long-standing difficulties in conducting Blue Lantern checks in Brazil. While the visit in Brasilia included productive meetings with the country team and Ministry of External Relations (MRE) officials, Ministry of Defense (MOD), Customs, and Federal Police officials refused to meet with the team despite repeated efforts by the Embassy, an unusual occurrence suggesting the need for further engagement to foster Brazilian appreciation for the importance of these issues. The visit in Sao Paulo included site visits to ammunition manufacturer Companhia Brasileira de Cartuchos and aircraft manufacturer Embraer. The visits appear to have met the objectives of improving understanding of Blue Lantern end-use monitoring and USG defense trade laws and regulations as the U.S. seeks to enhance bilateral defense trade with Brazil. END SUMMARY.

12. (U) Administered by PM/DDTC's Office of Defense Trade Controls Compliance (PM/DTCC), Blue Lantern is a global program designed to verify the end-use, end-users, and disposition of commercially exported defense articles, technology, and services. This visit to Brazil was part of PM/DTCC's ongoing efforts to improve the effectiveness of Blue Lantern through outreach visits with posts, host governments, and industry.

13. (U) The members of the team were Judd Stitzziel, compliance specialist, Office of Defense Trade Controls Compliance (PM/DTCC); Yolanda Gantlin, senior licensing officer, Office of Defense Trade Controls Licensing (PM/DTCL); and Timothy Mooney, export policy analyst, Bureau of Industry and Security, Department of Commerce.

PREPARATORY MEETING AT BRAZILIAN EMBASSY IN WASHINGTON

14. (SBU) In order to help lay the groundwork for a successful visit, Caroline Croft and Benjamin Chiang from the Department's Brazil desk accompanied the export control team to a meeting with Ministry of External Relations (MRE) and

Ministry of Defense (MOD) officials at the Brazilian Embassy in Washington on September 16. The Brazilians, led by Achilles Zaluar, Minister Counselor for Multilateral and International Security Affairs at the MRE, conditioned discussion of the Blue Lantern program on receiving a status update on an unrelated PM/DTCC compliance case. After receiving this update, the Brazilian officials seemed more receptive to discussing the originally proposed topics.

COUNTRY TEAM AND CONGEN SAO PAULO BLUE LANTERN BRIEFINGS

¶5. (U) At Embassy Brasilia, DCM Lisa Kubiske chaired a special meeting of the country team to discuss the Blue Lantern program in Brazil. Attendees included John Erath, political officer and Blue Lantern point-of-contact in Brasilia; Charles Allen, U.S. Immigration and Customs Enforcement (ICE) attache; Lt. Col. Sam Prugh, acting head of the Military Liaison Office (MLO), MILGRP; a representative from the Office of Regional Affairs; David Brassanini, Legal Attache; Mark Knight, country attache, Drug Enforcement Administration; and Chris Culver, Regional Security Officer. At Consulate General Sao Paulo, Econ/Pol Chief James Story chaired a special meeting that included Sara Ainsworth, economic officer; Sean Kelly, Foreign Commercial Service; Kim Wong, ICE special agent; and a representative from the Office of Regional Affairs.

¶6. (SBU) In both meetings, Stitzziel briefed the mission and
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results of Blue Lantern, both globally and in Brazil, which is an important country for the program. Since 2002, PM/DDTC has received over 4,000 applications for commercial defense exports to Brazil worth more than two billion dollars. From 2002 until the visit, PM/DTCC attempted to conduct 67 Blue Lantern checks in Brazil, evenly divided between pre-license checks and post-shipment verifications. Responses to some of these requests were problematic due to lengthy response times and inability to complete checks, which adversely affected both specific license applications and bilateral defense trade in general.

¶7. (SBU) During the last year, the U.S. Mission to Brazil has taken steps to improve this situation and has reduced its backlog of overdue cases from a half dozen to zero. With the designation of a full-time pol/mil officer as Blue Lantern POC, Embassy Brasilia has centralized responsibility for coordinating Blue Lantern checks throughout the country, drawing on the support of the consulates general and other country team members, including the Military Liaison Office (MLO), ICE, and the Foreign Commercial Service (FCS). ConGen Sao Paulo's econ/pol section and MLO Brasilia have been instrumental in helping to clear the backlog over the last year. Front office guidance has underlined to all Mission elements the importance of completing checks on schedule. The political section also has established a new tracking system to ensure that all Blue Lantern requests are followed up. During the visit, DCM Kubiske and Econ/Pol Chief Story pledged their support to ensure that Mission continues to provide effective and timely responses to Blue Lantern requests.

EXPORT CONTROL DISCUSSIONS WITH DIVISION OF TRADE PROMOTION OPERATIONS

¶8. (U) The DOS-DOC export control team discussed export controls, including end-use monitoring, with several Brazilian officials responsible for developing and implementing Brazil's export control laws and regulations. The Brazilian system of export controls does not include formal links between agencies, relying instead on a "gentlemen's agreement." A visit led by State Department exporters therefore generated little interest in the law enforcement community. Participants included Norton de Andrade M. Rapesta, Head, and Thiago Couto Carneiro, Secretary, of MRE's Division of Trade Promotion Operations;

Marcos Pinta Gama, Special Advisor to the Deputy Minister, MRE; and Osvaldo Monteiro de Carvalho Junior, Advisor, Nuclear Technology & Export Control, Coordination-General for Sensitive Items, Ministry of Science and Technology. After receiving overview briefings on the Blue Lantern program as well as State and Commerce export control laws, regulations, and practices, the Brazilians expressed gratitude for the information exchange and posed several detailed questions. Pinta Gama stressed the need to "think ahead" in the area of export controls in order to ensure that Brazil receives the best defense articles possible as U.S.-Brazilian bilateral technology transfers becomes increasingly sophisticated. After asserting that export controls work in both directions, as Brazil also can offer the U.S. technology, Rapesta offered an overview of the policies and practices of Brazilian export controls.

¶9. (SBU) Promoting a better understanding of USG export control regulations and policies was a central goal of the November 20-21 Defense Bilateral Working Group. In the past, Brazilians have tended to interpret strict USG regulations, as well as licensing delays generally caused by exporter negligence, as indicators of an anti-Brazilian bent to U.S. export controls. Post will be building on the BWG, including during the 2009 pol/mil dialogue, with further efforts to engage the GOB for better cooperation across the range of export control issues.

SITE VISITS TO COMPANHIA BRASILEIRA DE CARTUCHOS AND EMBRAER

¶10. (U) ConGen Sao Paulo arranged a site visit to Companhia Brasileira de Cartuchos (CBC) in Ribeirao Pires, a large ammunition manufacturer which has been both the named

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end-user on scores of DDTC licenses and the subject of several recent Blue Lantern checks. Among the dozen company executives and employees who attended the meeting were Arthur Liuz Silva, Logistics & Supply Director; Marco Vinicius Goncalves, Purchasing Supervisor; Alexandre Vigano and Amanda Camara, Import Analysts; Claudia Bonan, Marketing & Strategy Manager; and Gilberto Salm, Export Director.

¶11. (SBU) After thanking the export control team for its briefings on the Blue Lantern program and U.S. export controls, CBC officials offered an overview of their company's operations. According to CBC's presentation, the privately owned company was founded in 1926 and is the world's third largest ammunition manufacturer, with 1,550 employees, distribution centers in the U.S. and Europe, and two manufacturing facilities in Brazil and one in Germany. CBC's products are marketed in the U.S. under the brand name MAGTECH. Approximately 70 percent of CBC's production (510 million rounds in 2008) is exported to customers in some 70 countries, including 31 military end-users. During discussion, the export control team emphasized that U.S. laws prohibit the unauthorized re-transfer or re-export of United States Munitions List (USML) items, especially to prohibited destinations like Venezuela, one of the countries that CBC identified as a customer. In response, CBC representatives expressed eagerness to fully comply with all U.S. export control regulations and to cooperate with end-use monitoring checks, stressing the importance to the company of the U.S. market. The export control team thanked the CBC officials for their hospitality and explained that ConGen Sao Paulo officials would be contacting them soon to ask for their assistance with a post-shipment Blue Lantern check.

¶12. (SBU) The export team also conducted a briefing and site visit at Empresa Brasileira de Aeronautica S.A. (Embraer) in Sao Jose dos Campos. Among the two dozen company executives and employees who attended the meeting were Lizandra Karen de Lima, Senior Legal Counsel; Terena Penteado Rodrigues, Associate General Counsel; Helio Bambini Filho, Vice President, Supply Chain; and Falvia Sekles, Institutional Relations Director. Established as a state-owned company in

1969, the well known aircraft manufacturer was privatized in 1996 and currently has more than 33,500 employees. U.S. export controls are of particular concern to the company, as 60 percent of its customers are based in the U.S., its annual U.S. exports total almost 1.8 billion dollars, and it has manufacturing facilities in China.

¶13. (SBU) During and after the export control team's briefings on the Blue Lantern program and U.S. export controls, Embraer officials asked very informed and specific questions and demonstrated expert knowledge of U.S. export control laws and regulations. In addition to providing a corporate overview, Embraer officials outlined the company's impressive export control compliance program, which appeared to incorporate many of best practices advocated by State and Commerce officials during corporate educational seminars and conferences. Among the elements of Embraer's compliance program were the following: it was established by a resolution of Embraer's CEO and is a Global Corporate Policy; U.S.-based training of employees directly responsible for implementation through forums like SIA conferences; export control training for 100 percent of procurement personnel; internal training of over 1,000 employees; internal procedures and practices, including Supplier's Certification of Item Classifications and screening of countries and entities against published sanctions and embargo lists; corporate policies governing storage and distribution, ensuring segregation of export-controlled items and technologies; standard end-user forms based on U.S. requirements; strong contractual requirements for suppliers and clients; and a commitment to making sure that Embraer's customers understand the restrictions that they are subject to. The Embraer officials said they are currently in the process of developing an export control compliance manual and are committed to constantly improving, updating, and benchmarking their export control compliance policies and procedures.

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IMPROVEMENTS TO BLUE LANTERN IN BRAZIL CONTINUE

¶14. (U) The export control team achieved its broad goals of improving understanding of and communication about the Blue Lantern program, gray arms trafficking, and USG defense trade controls in general. PM/DTCC is committed to supporting Mission's efforts to strengthen Blue Lantern implementation.

¶15. (U) This reporting cable was coordinated with Embassy Brasilia and ConGen Sao Paulo.

¶16. (U) PM/DDTC would like to express its gratitude to Embassy Brasilia, ConGen Sao Paulo, and WHA/BSC for their work in helping to arrange and execute this visit.

CLINTON